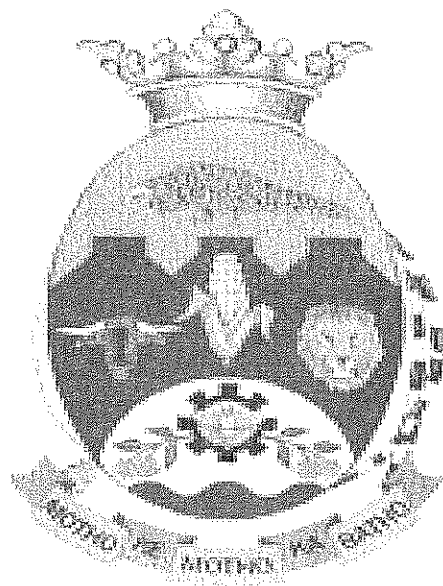


LEPELLE - NKUMPI LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 2015**

Annual Financial Statements

for

LEPELLE - NKUMPI LOCAL MUNICIPALITY

for the year the year ended 30 June 2015

Province:

Limpopo

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Acting Municipal Manager: NL Ramothwala

Name of Chief Financial Officer: R M Ngoveni

Contact telephone number: 0745121876

Contact e-mail address: rosina.ngoveni@lepelle-nkumpi.gov.za

Name of contact at provincial treasury: Yolyna Buys

Contact telephone number: 015 291 8438

Contact e-mail address: BuysIY@treasury.limpopo.gov.za

Name of relevant Auditor: Lemlem Amhatsion

Contact telephone number: 0152839300

Contact e-mail address:

Name of contact at National Treasury:

Contact telephone number:

Contact e-mail address:

LEPELLE - NKUMPI LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2015

General information

Members of the Council

Phaahla M.V	Mayor
Sibanda N.G	Speaker
Molaba L.C	Chief whip

Mahlatlole M.F	Members of the Executive Committee
Mapheto N.J	Members of the Executive Committee
Mphahlele R.B	Members of the Executive Committee
Nchabeleng P.P	Members of the Executive Committee
Phosa N.B	Members of the Executive Committee
Ramakolo M.M	Members of the Executive Committee
Ramoshaba L	Members of the Executive Committee
Sehlapelo M.J	Members of the Executive Committee
Thobejane M.M	Members of the Executive Committee

Phogole M.J	Members
Mmako R.F	Members
Magongoa L.J	Members
Lechelele M.S	Members
Masopoga P.J	Members
Maseema D.M	Members
Themane M.D	Members
Ledwaba L.J	Members
Mpitso K.J	Members
Maditsi D.R	Members
Matabane M.A	Members
Leopeng C.R	Members
Vilankulu	Members
Vilankulu R.J	Members
Machete K.J	Members
Sibanda P.S	Members
Masopoga P.K	Members
Phaahla K.B	Members
Mphahlele M.R	Members
Mphahlele F.M	Members
Mashoene L.P	Members
Makgahlele M.B	Members
Ntsaone M.S	Members
Ramashaba R.S	Members
Mathabatha M.V	Members
Matsimela M.D	Members
Matjuda S.W	Members
Shogole M.W	Members
Ramalla T.A	Members
Kekana M.E	Members
Tsela F.D	Members
Thobejane M.D	Members
Mashiane M.E	Members
Thubakgale N.M	Members

Khwinana M	Members
Mokgophi N.T	Members
Mathabatha M.D	Members
Marema T.G	Members
Phaahla V.M	Members
Mphahlele L.E	Members
Machaka M.P	Members
Mphahlele M.	Members
Sibanda N.G	Members

Acting Municipal Manager

Mr.NL Ramothwala

Chief Financial Officer

Ms Rosina M. Ngoveni

Grading of Local Authority

3

Auditors

Auditor-General

Bankers

First National Bank (FNB)

LEPELLE - NKUMPI LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2015

General information (continued)

Registered Office:	Lebowakgomo
Physical address:	170 BA Civic Centre Lebowakgomo 0737
Postal address:	Private Bag Chuenespoort 0745
Telephone number:	(015) 633 4500
Fax number:	(015) 633 6896
E-mail address:	rosina.ngoveni@lepelle-nkumpi.gov.za

LEPELLE - NKUMPI LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2015

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 35, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.



Acting Municipal Manager: Mr NL Ramothwala

31 August 2015

**LEPELLE - NKUMPI LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2015**

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LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015	2014 Restated R
ASSETS			
Current assets			
Cash and cash equivalents	2	193 807 016	108 805 865
Receivable from exchange transactions	3	11 184 941	4 490 343
Receivable from non-exchange transactions	4	34 071 491	30 652 701
Other receivables	5	85 212 004	36 028 427
Inventories	6	1 428 229	761 289
VAT Receivable	7	-	3 953 492
Non-current assets			
Property, plant & equipment	8	517 298 229	542 386 628
Intangible Assets	9	184 850	265 160
Total assets		843 186 759	727 343 905
LIABILITIES			
Current liabilities			
Trade and other payables	10	30 114 253	29 122 195
Consumer deposits from Non Exchange Transactions	11	1 768 636	1 717 836
Unspent conditional grants and receipts	12	55 535 244	15 363 114
Current portion of finance lease obligation	13	72 347	274 546
VAT Payable	7	5 521 360	-
Non-current liabilities			
Provisions	14	12 942 913	12 389 158
Finance lease liability	13	-	72 347
Total liabilities		105 954 753	58 939 196
Net Assets		737 232 007	668 404 710
Net Assets			
Accumulated surplus/(deficit)		737 232 013	668 404 715
		737 232 013	668 404 715

LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 R	2014 R RESTATED
REVENUE			
Service charges	15	6,065,861	5 301 681
Property rates	16	18,786,098	19 221 957
Finance income	17	10,873,634	6 493 851
Rental of facilities and equipment		218,125	212 885
Water and Sanitation:Commission Earned	18	50,732,648	36 808 517
Licences and permits:Department of Transport	19	3,769,649	3 493 940
Government grants and subsidies received - operating	20	169,001,090	143 533 012
Government grants and subsidies received - capital	20	32,881,981	14 900 007
Other revenue	21	2,586,181	49 896 810
Bad debts recovered			7 787 020
Traffic Fines		2,665,500	3 680 706
Total Revenue		297,580,767	291 330 386
EXPENDITURE			
Employee related costs	23	70,248,841	62 235 669
Remuneration of councillors	24	15,794,896	14 771 487
Bad debts		12,440,837	0
Depreciation and amortisation expense	25	27,262,896	32 325 080
Free Basic Services: Electricity		7,216,025	5 477 209
Finance cost	26	18,954	54 034
Repairs and maintenance		2,636,164	2 660 224
General expenses	28	38,850,587	65 615 345
Contracted services	27	9,035,377	4 112 587
Total Expenditure		183,504,577	187 251 635
Gain/(Loss) on disposal of assets	22	(756,802)	(433 834)
NET SURPLUS/(DEFICIT) FOR THE YEAR		113,319,388	103 644 917

LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 2015

	Pre GRAP Reserves & Funds	Accumulated Surplus/ (Deficit)	Total: Net Assets
	R	R	R
Balance at 30 June 2013	-	535,275,648	535,275,648
Changes in accounting policy			-
Correction of prior period error		29,484,150	29,484,150
Restated balance	-	564,759,798	564,759,798
Surplus/(deficit) for the period		-	-
<i>Other items</i>		-	-
Correction of prior period error		-	-
Net gains and losses not recognised in the statement of financial performance		-	-
Transfers to / from accumulated surplus/(deficit)		-	-
Surplus / (deficit) for the period		103,644,917	103,644,917
Balance at 30 June 2014	-	668,404,715	668,404,715
Changes in accounting policy			-
Correction of prior period error		(44,492,091)	(44,492,091)
Restated balance	-	623,912,624	623,912,624
Surplus/(deficit) for the period			
Net gains and losses not recognised in the statement of financial performance			
Transfers to / from accumulated surplus/(deficit)			
Surplus / (deficit) for the period		113,319,388	113,319,388
Balance at 30 June 2015		737,232,013	737,232,013

LEPELLE - NKUMPI LOCAL MUNICIPALITY
CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 R	2014 R
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS		262 351 189	177 741 205
Taxation		5 304 581	1 878 375
Sales of goods and services		2 667 609	1 451 802
Grants		235 373 000	165 475 000
Water and Sanitation Agency Fees		6 243 191	4 047 226
Interest received	17	6 033 189	3 866 631
Other receipts		6 729 619	1 022 172
PAYMENTS		(136 398 613)	(135 033 684)
Employee costs		82 448 895	74 821 112
Suppliers		53 930 764	60 158 538
Interest paid		18 954	54 034
Other payments			
Cash generated from / (utilized in) operations		125 800 655	42 862 068
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other assets		(41 078 714)	(18 837 207)
Proceeds from disposal of assets			332 133
Net cash used in investing activities		(41 078 714)	(18 505 074)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		553 755	10 897 812
(Raising)/payment of finance lease liabilities		(274 546)	(242 810)
Net cash used in financing activities		279 209	10 655 001
Increase/(decrease) in cash and cash equivalents		85 001 150	35 011 996
Cash and cash equivalents at beginning of the year		108 805 865	73 729 126
Cash and cash equivalents at end of June 2015		193 807 016	108 741 122

LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON BUDGET FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2015 R	2015 R	2015 R
REVENUE	BUDGET	ACTUAL	VARIANCE	% VARIANCE
Service charges	5,831,443	6,065,861	(234 418)	-4%
Property rates	19,119,703	18,786,098	333 605	2%
Finance income	9,720,361	10,873,634	(1 153 273)	-12%
Rental of facilities and equipment	119,065	218,125	(99 060)	-83%
Water and Sanitation Agency Fees	7,812,602	50,732,648	(42 920 046)	-549%
Licences and permits: Department of Transport	3,000,000	3,769,649	(769 649)	-26%
Government grants and subsidies received - operating	169,709,126	169,001,090	708 036	0%
Government grants and subsidies received - capital	84,511,628	32,881,981	51 629 647	61%
Other revenue	59,111,826	2,586,181	56 525 645	96%
Traffic Fines	7,603,200	2,665,500	4 937 700	65%
Total Revenue	366,538,954	297,580,767	68 958 187	-450%
EXPENDITURE				
Employee related costs	77 918 687	70,248,841	7 669 846	10%
Remuneration of councillors	17 303 649	15,794,896	1 508 753	9%
Bad debts	29 557 299	12,440,837	17 116 462	58%
Depreciation and amortisation expense	35 178 537	27,262,896	7 915 641	23%
Free Basic Services: Electricity	8 220 000	7,216,025	1 003 975	12%
Finance cost	25 000	18,954	6 046	24%
Repairs and maintenance	9 882 036	2,636,164	7 245 872	73%
General expenses	51 291 395	38,850,587	12 440 808	24%
Contracted services	7 373 320	9,035,377	(1 662 057)	-23%
Total Expenditure	236 749 923	183,504,577	53 245 346	210%
Gain/(Loss) on disposal of assets	0	756,802	(756 802)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	129,789,031	113,319,388	14 956 039	-661%
The final budget and financial statements were both prepared on an accrual basis. See Note:38 for explanation of significant variances greater than 10%.				

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These annual financial statements have been prepared on an accrual basis of

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value Management have made

The write down is included in the impairment of assets note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets

1.1 Significant judgements and sources of estimation uncertainty

LEPELLE-NKUMPI LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and intangible assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. In the

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income)

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present

1.2 Presentation of Currency

These annual financial statements are presented in South African Rand which is the functional currency of the

1.3 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the

However based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate

1.4 Investment property

Investment property is property (land or a building, or part of a building, or both) held to earn rentals for capital appreciation or both, rather than for:

- use in the production or supply of goods or services, or for
- administrative purposes, or

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality and the cost or fair

Initial Recognition:

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is

LEPELLE-NKUMPI LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

Subsequent Measurement:

Investment property is measured at fair value. After initial recognition all investment property is measured at fair value at each Statement of financial position date. No depreciation is calculated on these properties.

Item	Useful life
Property - land	indefinite
Property - buildings	5 - 50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service are expected from its disposal

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are

The cost of an item of property, plant and equipment is recognised as an asset when:

- Ø it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- Ø the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property,

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at re-valued amount being the fair value at the date of revaluation

Subsequent Measurement:

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an

LEPELLE-NKUMPI LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases

1.5 Property, plant and equipment Continues

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their

The useful lives of items of property, plant and equipment have been assessed as follows:-

Item	Useful life
Land	Indefinite
Buildings	10 - 30 years
Infrastructure	
· Roads	10 - 100 years
· Electricity	5 - 80 years
Other assets	
· Machinery and equipment	2 - 15 years
· Furniture and equipment	5 - 15 years
· Computer equipment	5 - 10 years
· Vehicles	7 - 15 years

In the event that assets are fair valued, the useful lives of those assets is the estimated remaining useful life on

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method are reviewed at least at every reporting date.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the de-recognition of an item of Intangible assets is included in surplus or deficit when the items derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as

1.18 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance and recognised when:

- Ø it is probable that the expected future economic benefits that are attributable to the asset will flow to
- Ø the cost of the asset can be measured reliably.

An asset is identified as an intangible asset when it:

- Ø is capable of being separated or divided from an entity and sold, transferred, licensed, rented or
- Ø arises from contractual rights or other legal rights, regardless whether those rights are transferable or

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal

- Ø it is technically feasible to complete the asset so that it will be available for use or sale.
- Ø there is an intention to complete and use or sell it.
- Ø there is an ability to use or sell it.
- Ø it will generate probable future economic benefits.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

- Ø there are available technical, financial and other resources to complete the development and to use
- Ø the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as

1.18 Intangible assets continues

Item	Useful life
-------------	--------------------

Computer software	5 years
-------------------	---------

Intangible assets are derecognised:

- Ø on disposal; or
- Ø when no future economic benefits or service potential are expected from its use or disposal.

1.6 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost at reporting date comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The

1.6 Inventories continues

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with

Unsold properties are at the lower cost and net realisable value. Direct cost are accumulated for each

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When Transactions) transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial

LEPELLE-NKUMPI LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable

A financial asset is:

- Ø cash;
- Ø a residual interest of another entity; or
- Ø a contractual right to:
 - § receive cash or another financial asset from another entity; or
 - § exchange financial assets or financial liabilities with another entity under conditions that are

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with

A financial liability is any liability that is a contractual obligation to:

- Ø deliver cash or another financial asset to another entity; or
- Ø exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity

1.7 Financial instruments continues

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities

- Ø the entity designates at fair value at initial recognition; or
- Ø are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- Ø derivatives;
- Ø combined instruments that are designated at fair value;
- Ø instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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The municipality has the following types of financial assets (classes and category) as reflected on the face of

Class Category

Cash and cash equivalents
Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions
Financial asset measured at amortised cost.
Trade and other receivables from exchange transactions Financial asset measured at amorstised cost

Long term receivables Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of

Class Category

Long term liabilities Financial liability measured at amortised cost

Trade and other payables Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:

1.7 Financial instruments continues

- Ø a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- Ø non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following

- Ø Financial instruments at fair value.
- Ø Financial instruments at amortised cost.
- Ø Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing

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participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- Ø combined instrument that is required to be measured at fair value; or
- Ø an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined

This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation

Impairment and un-collectability of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred)

1.7 Financial instruments continues

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the

De-recognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- Ø the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- Ø the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

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Ø the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration

If the entity transfers a financial asset in a transfer that qualifies for de-recognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of If the transferred asset is part of a larger financial asset and the part transferred qualifies for de-recognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be

If a transfer does not result in de-recognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as

1.7 Financial instruments continues

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In

1.8 Revenue from exchange transactions

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Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable,

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- Ø the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- Ø the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured
- Ø it is probable that the economic benefits or service potential associated with the transaction will flow
- Ø the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the

- Ø the amount of revenue can be measured reliably;
- Ø it is probable that the economic benefits or service potential associated with the transaction will flow to
- Ø the stage of completion of the transaction at the reporting date can be measured reliably; and
- Ø the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is

1.8 Revenue from exchange transactions continues . . .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised

- Ø It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- Ø The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive

Service fees included in the price of the product are recognised as revenue over the period during which the

1.9 Revenue from non-exchange transactions

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Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified. Stipulations on transferred assets are terms in laws or regulation, or Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue,

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality. When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied,

1.9 Revenue from non-exchange transactions continues

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be

1.10 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To

1.11 Provisions and contingencies

Provisions are recognised when:

- Ø the municipality has a present obligation as a result of a past event;
- Ø it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- Ø a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. No obligation arises as a consequence of the sale or transfer of an sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised

- Ø the amount that would be recognised as a provision; and
- Ø the amount initially recognised less cumulative amortisation.

1.11 Provisions and contingencies continues

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.12 Unauthorised expenditure

Unauthorised expenditure means:

- Ø overspending of a vote or a main division within a vote;
- Ø expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the

1.13 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), The Public Office Bearers Act (Act No. 20 of 1998) or is

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand's, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the from those at which they were translated on initial recognition during the period or in previous annual financial

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow

1.16 Comparative figures

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the

Prior year comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is

1.17 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and

1.17 Leases continues

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a

Operating leases – lessor

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Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as

Any contingent rents are expensed in the period they are incurred.

1.19 Non-current assets held for sale

Non-current assets are classified as "held for sale assets" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is depreciated (or amortised) while it is classified as a "held for sale" asset.

Interest and other expenses attributable to the liabilities of the "held for sale assets" are recognised in surplus

1.20 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction
Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its

Useful life is either:

- Ø the period of time over which an asset is expected to be used by the municipality; or
- Ø (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from

Basis for estimates of future cash flows

In measuring value in use the municipality:

- Ø base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining

1.20 Impairment of cash-generating assets continues

- Ø base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers
- Ø estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-

Composition of estimates of future cash flows

Estimates of future cash flows include:

- Ø projections of cash inflows from the continuing use of the asset;
- Ø projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly
- Ø net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- Ø cash inflows or outflows from financing activities; and
- Ø income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use

- Ø the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- Ø the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than

The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest

- Ø its fair value less costs to sell (if determinable);
- Ø its value in use (if determinable); and
- Ø zero.

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The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the

1.20 Impairment of cash-generating assets continues

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A reversal of an impairment

losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not

- Ø its recoverable amount (if determinable); and
- Ø the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation

1.21 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of

- Ø the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- Ø the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- Ø an entity's decision to terminate an employee's employment before the normal retirement date; or
- Ø an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the

Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-

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A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on

1.21 Employee benefits continues

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits continues

Short-term employee benefits include items such as:

- Ø wages, salaries and social security contributions;
- Ø short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- Ø bonus, incentive and performance related payments payable within twelve months after the end of the
- Ø non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- Ø as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- Ø as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the

When an employee has rendered service to the entity during a reporting period, the entity recognise the

- Ø as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- Ø as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of each reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect

1.21 Employee benefits continues

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to

- Ø the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- Ø the assets are returned to the reporting municipality to reimburse it for employee benefits already

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Interest cost is the increase during a period in the present value of a

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. The present value of a defined benefit obligation is the present value, without deducting any plan assets, of

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An

The amount recognised as a defined benefit liability is the net total of the following amounts:

- Ø the present value of the defined benefit obligation at the reporting date;
- Ø minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- Ø plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the

- Ø the amount determined above; and
- Ø the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date. The municipality recognises the

- Ø current service cost;
- Ø interest cost;
- Ø the expected return on any plan assets and on any reimbursement rights;
- Ø actuarial gains and losses;
- Ø past service cost;
- Ø the effect of any curtailments or settlements; and

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1.21 Employee benefits continues

- Ø the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit

- Ø the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- Ø the date when further service by the employee will lead to no material amount of further benefits under

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- Ø any resulting change in the present value of the defined benefit obligation; and
- Ø any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices). When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The rate used to discount post-employment benefit obligations (both funded and The currency and term of the financial instrument selected to reflect the time value of money is consistent with

Post-employment benefit obligations are measured on a basis that reflects:

- Ø estimated future salary increases;
- Ø the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes
- Ø estimated future changes in the level of any state benefits that affect the benefits payable under a
- Ø those changes were enacted before the reporting date; or
- Ø past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary

Assumptions about medical costs take account of estimated future changes in the cost of medical services,

Pension Obligations: The municipality and its employees contribute to 4 different Pension Funds, of which 2 (The Municipal Employees Pension Fund and Municipal Gratuity Fund) cater for the majority of the staff. Municipal Employees Pension Fund, Municipal Gratuity Fund and National Fund for Municipal Workers are

1.21 Employee benefits continues

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The

- Ø Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset
- Ø Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total

The capitalisation of borrowing costs commences when all the following conditions have been met:

- Ø expenditures for the asset have been incurred;
- Ø borrowing costs have been incurred; and
- Ø activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.21. In

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale

1.24 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial

1.27 Grants in aid

The Lepelle-Nkumpi Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not: Receive any goods or services directly in return, as would be expected in a purchase or sale transaction Expect to be repaid in future; or Expect a financial return, as would

1.28 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its

Useful life is either:

- Ø the period of time over which an asset is expected to be used by the municipality; or
- Ø the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential

1.28 Impairment of non-cash-generating assets continues

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a re-valued non-cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation

1.29 Presentation of Budget Information in the Financial Statements

The Municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget

- Ø the approved and final budget amounts;
- Ø the actual amounts on a comparable basis; and
- Ø by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the

A comparable basis means that the budget and annual financial statements:

- Ø are prepared using the same basis of accounting i.e. either cash or accrual;
- Ø include the same activities and entities;
- Ø use the same classification system; and
- Ø are prepared for the same period.

1.30 Heritage Assets

Recognition of Assets

Heritage assets is recognised when it has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and

1.30 Heritage Assets continues

A heritage asset is further recognised as an asset only if:

- Ø it is probable that future economic benefits or service potential associated with the asset will to the
- Ø the cost of fair value of the asset can be measured reliably.

Subsequent Measurement

Heritage asset is measured at its cost value and should it be acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus and is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit and is debited directly to

Although a heritage asset is not depreciated is the heritage asset assess at each reporting date to disclose

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

The municipality will treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. Should any item of property, plant and equipment or an intangible asset carried at a re-valued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a re-valued amount, the entity applies the applicable Standard to that asset up to the date of change. The entity treats any difference at that date between the carrying amount
Item use Fill Live

Property and building – Indefinite
Other Assets - 5 to 50 years

De-recognition of Asset

The carrying amount of a heritage is de-recognised:

- Ø on disposal, or
- Ø when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition, of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.31 VALUE ADDED TAX (VAT)

The municipality accounts for Value Added Tax on the cash basis.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 18: Segment Reporting - Issued March 2005

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Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Party – Issued June 2011

Related party relationships exist throughout the public sector, because:

- (a) The Municipality is subject to the overall direction of an executive government or Council and ultimately,
- (b) The Municipality conduct activities necessary for the achievement of different parts of their responsibilities and objectives through separate controlled entities, and through entities over which they have significant
- (c) Public entities enter into transactions with other government entities on a regular basis, and
- (d) Ministers, councillors or other elected or appointed members of the government and other members of

The mere existence of related party relationships means that one party can control, jointly control or significantly influence the activities of another party. This provides the opportunity for transactions to occur on a basis that may give one party an advantage at the expense of another. Therefore the disclosure of related

Management could hold positions of responsibility within an entity and therefore members of management will be responsible for the strategic direction and operational management of an entity and are entrusted with significant authority. However, their responsibilities may enable them to influence the benefits of office that flow

Close members of the family of persons related to the entity may influence, or be influenced by them in their

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the

At present the impact of the standard is not material..

"GRAP 105: Transfer of Functions between Entities under Common Control – Issued November 2010"

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities under common

"GRAP 106: Transfer of Function between Entities Not Under Common Control – Issued November 2010"

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities not under

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ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

GRAP 107: Mergers – Issued November 2010

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be a merger between entities will the accounting policy be

	2015 R	2014 R
2. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	6,606	3,877
Cash at bank	11,447,980	8,156,403
Call deposits	182,352,429	100,645,585
	193,807,016	108,805,865
The municipality has the following bank accounts:		
2.1 Paymaster General Account		
Cash book balance at beginning of year	4,716,780	457,238
Cash book balance at end of year	8,450,514	4,716,780
Bank statement balance at beginning of year	4,716,780	124,054
Bank statement balance at end of year	8,433,622	4,716,780
2.2 Revenue Account		
Cash book balance at beginning of year	3,310,337	2,121,408
Cash book balance at end of year	1,542,378	3,310,337
Bank statement balance at beginning of year	3,274,657	1,100,162
Bank statement balance at end of year	681,718	3,274,657
2.3 Salaries Account		
Cash book balance at beginning of year	129,286	2,316
Cash book balance at end of year	1,455,088	129,286
Bank statement balance at beginning of year	129,286	2,316
Bank statement balance at end of year	1,455,088	129,286
2.4 Money Market Account		
Cash book balance at beginning of year	100,645,585	71,142,619
Cash book balance at end of year	182,352,429	100,645,585
Bank statement balance at beginning of year	100,645,585	240,944
Bank statement balance at end of year	182,248,822	100,645,585
2.5 Cash on hand	6,606	3,877

Cash and Cash Equivalent

Cash and cash equivalents are classified as financial instruments under the loans and receivable category. Due to the short term nature of these investments no amortisation was performed.

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash and no portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2015	2014
Trade receivables		
Refuse		
Gross balance	29,017,911	19,619,334
Less: Provision for Doubtful Debts	17,832,970	15,128,991
Net balance	11,184,941	4,490,343
Refuse: Ageing		
Current (0 – 30 days)	1 423 885	951 203
31 - 60 Days	723 067	442 000
61 - 90 Days	608 005	425 384
91 - 120 Days	603 472	412 902
121 - 365 Days	4 649 296	3 228 938
+ 365 Days	21 010 186	14 158 907
Total	29,017,911	19,619,334

	2015 R	2014 R
4. TRADE & OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS		
<u>Trade receivables</u>		
Rates		
Gross balance	97,104,738	82,052,310
Plus Credit Debtor Balances - Refer to note	3,250,032	5,146,812
	<u>100,354,770</u>	<u>87,199,122</u>
Less: Provision for Doubtful Debts	66,283,279	56,546,421
Net balance	<u>34,071,491</u>	<u>30,652,701</u>
<u>Rates: Ageing</u>		
Current (0 – 30 days)	4 950 279	4,468,931
31 - 60 Days	1 734 745	2,134,091
61 - 90 Days	1 706 983	2,059,291
91 - 120 Days	1 680 092	2,024,303
121 - 365 Days	15 000 343	15,313,280
+ 365 Days	75 282 327	61,199,226
Total	<u>100,354,770</u>	<u>87,199,122</u>
<u>Reconciliation of the doubtful debt provision</u>		
Balance at beginning of the year	71,675,412	79,462,432
Contributions to provision	12,440,837	
Doubtful debts written off against provision		
Reversal of provision		(7,787,020)
Balance at end of year	<u>84,116,249</u>	<u>71,675,412</u>
<u>Trade and other receivables past due but not impaired</u>		
Consumer debtors pledged as security		
Consumer debtors were not pledged as security for overdraft facilities.		
Consumer debtors impaired		
The amount of the provision was R84 116 249 as at June 2015. (2014: R71 674 412).		
Interest Raised 2014/2015		
During the 2014/2015 Financial year interest on outstanding receivables were calculated at a rate of of 10% as per the tariff structure.		
5. OTHER RECEIVABLES FROM NON NON EXCHANGE TRANSACTION		
CDM Advance Account: Commission	74,826,247	29,202,783
Traffic Department (80:20 Ratio)	-	-
Other debtors	7,205,055	5,847,244
CDM: Landfill Management	-	978,400
Integrated National Electrification Programme	3,262,000	-
Total Other Receivables	<u>85,293,302</u>	<u>36,028,427</u>
Other Receivables		
Trade and other receivables pledged as security		
Trade and other receivables were not pledged as security for overdraft facilities.		
6. INVENTORIES		
Consumable stores - at cost		
Opening balance	761,288.86	197,447
Additions	8,281,264.44	792,732
Issued (expensed)	(7,388,297.27)	(852,596)
Stock adjustment		623,706
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC)	(226,027.00)	
Closing balance	<u>1,428,229</u>	<u>761,289</u>
Stock Written Off		
During the financial period stock were written down due to redundancy of the stock and damages which amounted R226 027 previous financial periods	(226,027)	-
7. VAT RECEIVABLE/(PAYABLE)		
VAT receivable/(payable)	<u>(5,521,360)</u>	<u>3,953,492</u>

Lepelle-Nkumpi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8 PROPERTY, PLANT AND EQUIPMENT

8 Reconciliation of Carrying Value

	Land and Building R	Infrastructure R	Capital Work in Progress	Other and Moveable Assets R	Lease Assets R	Total R
as at 1 July 2014	275,908,677.41	159,270,277.54	32,724,693.78	20,148,177.05	322,830.32	488,374,656.09
Cost/Revaluation	342,262,934.97	190,205,882.97	32,724,693.78	32,585,800.08	1,420,493.37	599,199,805.18
Accumulated depreciation	(66,354,257.56)	(30,935,605.44)	-	(12,424,235.23)	(1,097,663.05)	(110,811,761.28)
Impairment losses	-	-	-	(13,387.81)	-	(13,387.81)
Acquisitions/ Additions	6,366,743.89	10,814,096.89	25,695,656.06	4,977,521.30	-	47,854,018.14
Donated	-	-	-	284,417.99	-	284,417.99
Depreciation	(16,491,648.56)	(6,554,346.43)	-	(3,878,327.02)	(258,263.84)	(27,182,585.85)
Impairment loss/Reversal of Impairment loss	-	-	-	-	-	-
Transfers - Cost	9,533,474.63	3,888,752.85	(4,861,087.85)	163,385.28	-	8,724,524.91
Transfers - Accumulated depreciation	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-
Disposal - Cost	(505,372.81)	-	-	(251,429.17)	-	(756,801.98)
Disposal - Accumulated depreciation	(722,243.84)	-	-	(715,934.42)	-	(1,438,178.26)
Disposal - Accumulated impairment	216,871.03	-	-	464,505.25	-	681,376.28
as at 30 June 2015	274,811,874.56	167,418,780.85	53,559,261.99	21,443,745.43	64,566.48	517,298,229.30
Cost/Revaluation	357,440,909.65	204,908,732.71	53,559,261.99	37,295,190.23	1,420,493.37	654,624,587.96
Accumulated depreciation	(82,629,035.09)	(37,489,951.87)	-	(15,838,057.00)	(1,355,926.89)	(137,312,970.85)
Impairment losses	-	-	-	(13,387.81)	-	(13,387.81)

Lepelle-Nkumpi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2014

8 Reconciliation of Carrying Value

	Land and Building R	Infrastructure R	Capital Work in Progress	Lease Assets R	Total R
as at 1 July 2013	252,793,070.40	171,921,516.71	61,033,483.00	778,391.79	509,446,536.05
Cost/Revaluation	301,207,798.30	253,654,228.35	61,033,483.00	1,420,493.37	650,323,891.84
Accumulated depreciation	(48,414,727.90)	(81,732,711.65)	-	(642,101.59)	(140,862,917.80)
Impairment losses	-	-	-	-	(14,438.00)
Acquisitions/ Additions	3,180,518.24	1,411,179.68	10,941,309.96		18,837,206.50
Donated	17,000,000.00	31,285,829.04	3,304,198.63		48,285,829.04
Depreciation	(15,555,195.84)	(12,380,693.78)		(455,561.47)	(32,198,412.23)
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers - Cost	13,414,431.32	19,318,764.73	(33,169,258.46)		(1,305,712.95)
Transfers - Accumulated depreciation	(129,001.93)	-	216,151.58	-	87,149.65
Other movements*	-	-	-	-	-
Disposal - Cost	-	-	(765,967.81)	-	(765,967.81)
Disposal - Accumulated depreciation	-	-	(1,729,806.47)	-	(1,729,806.47)
Disposal - Accumulated impairment	-	-	962,788.46	-	962,788.46
			1,050.19		1,050.19
as at 30 June 2014	270,703,822.18	211,556,596.38	38,805,534.50	322,830.32	542,386,628.25
Cost/Revaluation	334,802,747.85	305,670,001.80	38,805,534.50	1,420,493.37	714,411,407.97
Accumulated depreciation	(64,098,925.67)	(94,113,405.43)	-	(1,097,663.05)	(172,011,391.91)
Impairment losses	-	-	-	-	(13,387.81)

Refer to Appendix B for more detail on property, plant and equipment

Pledged as security

No property, plant and equipment were pledged as security for any financial liabilities.

Other information

Various adjustments were made to property, plant and equipment. These relate to assets that were not previously recognised and re-classification of assets.

Assets that were not previously recognised, were fair valued and remaining useful lives were determined based on the assets current condition.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
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FOR THE YEAR ENDED JUNE 2015

	2015 R	2014 R
9 INTANGIBLE ASSETS		
Reconciliation of Carrying Value - opening		
Cost	737,845	347,345
Accumulated amortisation	(348,855)	(146,405)
	<u>(123,830)</u>	<u></u>
	265,160	200,940
Acquisitions		132,010
Amortisation	(80,310)	(126,667)
Impairment loss		(123,830)
Transfer in - Cost		258,490
Prior year adjustment		11,367
Transfer in - Accumulated amortisation		(87,150)
Reconciliation of Carrying Value - opening	184,850	265,160
Cost	737,845	737,845
Accumulated amortisation	(429,165)	(348,855)
Accumulated impairment	(123,830)	(123,830)

Intangible assets comprise of computer software.

10 TRADE AND OTHER PAYABLES		
Trade creditors	5,616,430	6,438,311
Retentions	11,079,924	8,851,506
Leave provision	6,964,491	5,807,857
Bonus provision	1,747,855	1,637,682
Traffic Department	978,027	481,282
Other Creditors	3,659,358	5,837,388
CDM Advance Account: R & M	68,169	68,169
Total Trade and Other Payables	30,114,253	29,122,195

The fair value of trade and other payables approximates their carrying amounts.

11 CONSUMER DEPOSITS FROM NON -EXCHANGE TRANSACTIONS		
Total Consumer Deposits	<u>1,768,636</u>	<u>1,717,836</u>
No interest is paid on consumer deposits.		

12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>Conditional Grants from other spheres of Government</i>		
MIG	51,593,513	13,450,757
LED Learnership	327,926	327,926
FMG	-	-
MSIG	-	-
DME	-	1,010,871
EPWP	-	73,330
CDM: LANDFILL MANAGEMENT	2,377,800	
CDM : REFURBISHMENT OF NOKO TLOU STADIUM	100,230	100,230
CDM : HALLS	6,135	100,000
CDM : STADIUM	300,000	300,000
CDM Integrated Transport plan	500,000	
CDM Waste Management Cleaning	260,600	
CDM Eradication of Alien Plants	69,040	
	<u>55,535,244</u>	<u>15,363,114</u>

See note 19 for the reconciliation of grants from other spheres of government.

Conditional Grants

The extent of government grants recognised in the Statement of financial performance relates to the portion of the grant where the conditions have been met

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised as a liability in the Statement of financial position

An amount of R 3 262 000 was withheld by National Treasury for DME, even though the municipality was granted the approval of the roll over.

13 FINANCE LEASE LIABILITY			
	Minimum lease payment	Future finance charges	Present value of lease payments
30 June 2015			
Amounts payable under finance leases			
Within one year	72,347	11,454	60,893
13.1 Within two to five years	<u>72 347</u>	<u>11,454</u>	<u>60,893</u>
Less: Amount due for settlement within 12 months (current portion)	<u>(72 347)</u>	<u>(11,454)</u>	<u>(60,893)</u>
13.2	<u>-</u>	<u>-</u>	<u>-</u>

**LEPELLE-NKUMPI LOCAL MUNICIPALITY
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		2015 R	2014 R
31 June 2014			
Amounts payable under finance leases			
Within one year	293,499.12	18,954	274,546
Within two to five years	73,374.78	1,027	72,347
	<u>366 874</u>	19,981	346,893
Less: Amount due for settlement within 12 months (current portion)	(293 499)	(18,954)	(274,546)
	<u><u>73 375</u></u>	1,027	72,347

The average lease term is 3 years and the average effective borrowing rate is 16%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate by not more than 10% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

14 PROVISION

NON CURRENT PROVISION

14.1 Long service awards			
Opening balance	1,861,049	1,491,346	
Current Service Cost	295,542	274,169	
Interest cost	140,995	115,493	
Benefit Vesting	(106,731)	(19,959)	
Actuarial loss/(gains)	223,949		
Closing balance	<u><u>2,414,804</u></u>	<u><u>1,861,049</u></u>	
14.2 Environmental rehabilitation			
Opening balance	10,528,109	-	
Increase/ (decrease) in provision resulting from a change in discount rate	-	-	
Increase/ (decrease) in provision resulting from remeasurement of the estimated future cash flows or service potential	-	10,528,109	
Increase/ (decrease) in provision arising from passage of time (unwinding of discount)	-	-	
Reduction in provision due to payments made	-	-	
Unused amounts reversed	-	-	
Closing balance	<u><u>10,528,109</u></u>	<u><u>10,528,109</u></u>	
Total Non -Current Provision	<u><u>12,942,913</u></u>	<u><u>12,389,158</u></u>	

Long service awards

Employees qualify for the following long service awards in terms of the SALGA collective agreement:

The employees will qualify for long service award for every five years of service completed , from ten years of service to 45 years of services

In the month that each "Completed Service" milestone is reached, the employee is granted a long service award

Working days awarded are value at 1/250 of annual salary per day

Actuarial report was compiled by ARCH Actuarial Consulting appointed by the Council

Environmental rehabilitation

The provision is made in terms of the licensing stipulations. The Provision has been determined on the basis of the recent independent study. The cost factors derived from the study by a consulting firm of engineers have been applied. The total closure and rehabilitation are uncertain.

15 SERVICE CHARGES

Refuse Removal(Lebowakgomo)	5,660,751	5,273,854
Sale of Sites:Residential	405,110	27,827
Total Service Charges	<u><u>6,065,861</u></u>	<u><u>5,301,681</u></u>

16 PROPERTY RATES

Actual		
Residential	12,695,099	11,340,767
Commercial	2,234,574	2,561,615
Agriculture	1,620,895	1,136,220
State	2,235,530	4,183,355
Total property rates	<u><u>18,786,098</u></u>	<u><u>19,221,957</u></u>

VALUATIONS

	R000's	R000's
Residential	2,367,716,270	3,557,792,615
Commercial	279,469,000	628,304,470
Agricultural	2,044,104,192	2,049,562,192
State	2,461,006,585	1,479,553,371
	<u><u>7,152,296,047</u></u>	<u><u>7,715,212,648</u></u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will be implemented on 1 July 2016.

17 FINANCE INCOME

Interest receivable - Accounts receivable	5,380,490	2,627,220
Interest receivables - External investments	5,472,453	3,856,938
Interest receivables - Current account	20,692	7,693
	<u><u>10,873,634</u></u>	<u><u>6,493,851</u></u>

**LEPELLE-NKUMPI LOCAL MUNICIPALITY
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	2015 R	2014 R
18 COMMISSION EARNED		
Commission received from sale of water	50,732,648	36,808,517
The commission received from Capricorn District Municipality for the collection of revenue relating to water and sanitation on behalf of the District Municipality. The is an SLA allowing Lepelle -Nkumpi to receive all revenue collected during the current year. The amount reflected is therefore 100% of the current year related debtor collected.		
19 AGENCY FEES		
Licences and permits :Department of Transport	<u>3,769,649</u>	<u>3,493,940</u>
Operating Grants	169,001,090	143,533,012
Equitable share	161,207,000	138,190,000
Finance management Grant	1,600,000	1,549,999
Municipal Systems Improvement Grant	934,000	889,943
EPWP	1,785,330	1,124,670
CDM: Landfill Management	3,043,800	1,778,400
CDM Eradication of Alien Plants	430,960	
CDM Integrated Transport Plan	-	
CDM Waste Management (Cleaning)	-	
Capital Grants	32,881,981	14,900,007
Municipal Infrastructural Grant	31,777,244	10,602,344
CDM:Upgrading of Noko Tlou Stadium	-	249,770
Department of Minerals & Energy	1,010,871	4,047,893
Refurbishment of Mamaolo Community Hall	93,865	
Total Government Grants & Subsidies	<u>201,883,071</u>	<u>158,433,019</u>
20.1 Equitable Share		
In terms of the Constitution, this is an unconditional grant used to subsidise the provision of basic services to indigent community members.		
20.2 Finance Management Grant		
Balance unspent at beginning of year	(0)	26,999
Current year receipts	1,600,000	1,523,000
Conditions met – transferred to revenue	(1,600,000)	(1,549,999)
Unspent amount transferred to liabilities	<u>(0)</u>	<u>(0)</u>
municipal financial management and the implementation of		
20.3 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	51,943
Current year receipts	934,000	838,000
Conditions met – transferred to revenue	(934,000)	(889,943)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
The purpose of the grant is for institutional systems. No funds were withheld or delayed.		
20.4 Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	13,450,757	2,189,101
Current year receipts	69,920,000	24,064,000
Withheld	-	(2,200,000)
Conditions met – transferred to revenue	(31,777,244)	(10,602,344)
Unspent amount transferred to liabilities	<u>51,593,513</u>	<u>13,450,757</u>
This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met.		
20.5 Intergrated National Electrification Programme		
Balance unspent at beginning of year	1,010,871	3,246,764
Current year receipts	-	5,000,000
Withheld	(3,262,000)	(3,188,000)
Conditions met – transferred to revenue	(1,010,871)	(4,047,893)
Unspent amount transferred to liabilities	<u>(3,262,000)</u>	<u>1,010,871</u>
This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met. The 2014/15 INEP grant will be reported under Note 5 as Receivable from Non Exchange Transaction because the amount was erroneously withheld by National Treasury as unspent for 2014/15 financial year. The rollover for 2014/15 was R1 010 871 and was approved by National Treasury.		
20.6 LED Learnership		
Balance unspent at beginning of year	327,926	327,926
Current year receipts	-	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	<u>327,926</u>	<u>327,926</u>

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	2015 R	2014 R
20.7 EPWP		
Balance unspent at beginning of year	73,330	-
Current year receipts	1,712,000	1,198,000
Conditions met – transferred to revenue	(1,785,330)	(1,124,670)
Unspent amount transferred to liabilities	<u>-</u>	<u>73,330</u>
20.8 CDM: Refurbishment of Noko Tlou		
Balance unspent at beginning of year	100,230	
Current year receipts		350,000
Conditions met – transferred to revenue		(249,770)
Unspent amount transferred to liabilities	<u>100,230</u>	<u>100,230</u>
20.9 CDM: Refurbishment of Mamaolo Hall		
Balance unspent at beginning of year	100,000	100,000
Current year receipts		
Conditions met – transferred to revenue	(93,865)	
Unspent amount transferred to liabilities	<u>6,135</u>	<u>100,000</u>
20.10 CDM: Seleteng Diamond Softball		
Balance unspent at beginning of year	300,000	300,000
Current year receipts		
Conditions met – transferred to revenue		
Unspent amount transferred to liabilities	<u>300,000</u>	<u>300,000</u>
20.11 CDM: Landfill Management		
Balance unspent at beginning of year	(978,400)	800,000
Current year receipts	6,400,000	
Conditions met – transferred to revenue	(3,043,800)	(1,778,400)
Unspent amount transferred to liabilities	<u>2,377,800</u>	<u>(978,400)</u>
21 OTHER REVENUE		
Other revenue	<u>2,586,181</u>	<u>49,896,810</u>
22 GAIN/(LOSS) ON DISPOSAL OF ASSETS		
Property, plant and equipment	<u>756,802</u>	<u>(433,834)</u>
23 EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	56,017,871	49,615,256
Employee related cost - Social contributions	10,821,478	9,875,751
Housing benefits and allowances	157,898	161,879
Leave provision	2,601,476	2,184,553
Long service awards	650,119	398,230
	<u>70,248,841</u>	<u>62,235,669</u>
There were no advances paid to employees.		
Municipal Manager		
Annual Remuneration	394,119	458,888
Bonus	-	128,488
Travel Allowances and other allowance	447,966	361,188
Contributions to Medical and Pension Fund	288,306	205,792
	<u>1,130,391</u>	<u>1,154,356</u>
Acting Municipal Manager(Seconded)		
Annual Remuneration	106,213	
Travel Allowances and other allowance	4,550	
	<u>110,763</u>	
Chief Financial Officer		
Annual Remuneration	502,977	451,152
Travel Allowances and other allowance	393,400	388,100
Contributions to Medical and Pension Fund	136,155	127,248
	<u>1,032,532</u>	<u>966,500</u>
Director: Technical Services		
Annual Remuneration	319,809	167,863
Travel Allowances and other allowance	310,643	168,363
Termination and Leave paid	54,653	-
Contributions to Medical and Pension Fund	136,405	80,932
	<u>821,509</u>	<u>417,159</u>
Director: Community Services		
Annual Remuneration	467,666	409,298
Acting allowance		59,577
Travel Allowances and other allowance	347,669	330,190
Termination and Leave paid	9,338	-
Contributions to Medical and Pension Fund	143,600	156,675
	<u>968,273</u>	<u>955,739</u>

LEPELLE-NKUMPI LOCAL MUNICIPALITY
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	2015 R	2014 R	
Director: Corporate Services			
Annual Remuneration	511,350	475,467	
Acting allowance	-	23,038	
Travel Allowances and other allowance	378,752	359,333	
Contributions to Medical and Pension Fund	63,768	61,200	
	<u>953,870</u>	<u>919,038</u>	
Director: Strategic Planning(LED)			
Annual Remuneration	440,869	262,288	
Acting allowance	41,141	12,257	
Travel Allowances and other allowance	371,577	225,789	
Contributions to Medical and Pension Fund	122,731	70,402	
	<u>976,319</u>	<u>570,736</u>	
24 REMUNERATION OF COUNCILLORS			
Mayor	445,481	431,542	
Chief Whip	390,524	309,359	
Speaker	416,558	391,310	
Executive Committee Members	2,134,302	1,849,319	
Councillors	6,112,354	5,840,927	
Councillors' pension and medical aid contributions	3,445,528	3,170,086	
Councillors' allowances	2,850,150	2,978,943	
	<u>15,794,896</u>	<u>14,771,487</u>	
The Mayor, Speaker and Chief Whip are full -time. Each is provided with an office and secretarial support. The Mayor has use of a Council owned vehicle and driver for official duties.			
Councillor's arrear consumer accounts			
	Total	Outstanding less than 90 days	Outstanding more than 90 days
The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2015: -			
Phaahla MV	586	586	-
Mashiane ME	577	577	-
Ramoshaba LL	5,927	369	5,558
Machete KJ	1,204	264	940
Khwinana M	680	303	377
Mphahlele LE	2,526	655	1,871
Phosa SP	142	142	-
Sibanda P.S	70	70	-
Thobejane M.M	127	127	-
	<u>11,837</u>	<u>3,091</u>	<u>8,746</u>
as at June 2014	Total	Outstanding less than 90 days	Outstanding more than 90 days
Ramoshaba L.L	5,224	670	4,554
Thobejane M.M	149	149	-
Machete K.J	813	310	503
Sibanda P.S	3,670	853	2,817
Phaahla K.G	3,116	1608	1,508
Mashiane M.E	275	275	-
Khwinana M	3,007	442	2,565
Mphahlele L.E	9,718	2534	7,184
Ramalla T	7,669	2,655	5,014
Mokgophi M.T	8,161	2,860	5,301
Total Councillor Arrear Consumer Accounts	<u>41,802</u>	<u>12,356</u>	<u>29,446</u>
25 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment	27,262,896	32,325,080	
Intangible assets			
	<u>27,262,896</u>	<u>32,325,080</u>	
26 FINANCE COST			
Interest on finance leases	18,954	54,034	

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FOR THE YEAR ENDED JUNE 2015

	2015 R	2014 R
27 CONTRACTED SERVICES		
Contracted services for:		
Refuse	2,920,000	1,560,000
Security costs	6,115,377	2,552,587
	<u>9,035,377</u>	<u>4,112,587</u>
Security services provided at most of the Municipal buildings.		
28 GENERAL EXPENSES		
Included in general expenses is the following: -		
Audit Fees	2,375,153	1,646,346
Advertising	730,064	571,102
Audit Committee Costs	287,335	235,153
Accommodation and Meals	2,161,871	1,489,832
Bank Charges	332,328	292,631
Cattle Pound	109,568	116,069
Commission on SAPO and Easy Pay	3,319	3,081
Communications	544,554	328,316
Conference and Congresses	228,357	127,834
LED Forum	2,070	
Council Functions	13,371	
PMU Expenses	-	
Council: Mpac Functions	138,057	
Council: Refreshments: Exco	758	
Sector Forum	10,000	
Greening	29,932	
Consultants Fees	4,038,868	4,001,213
Consumer Accounts	-	-
Community Participation	100,640	145,327
Electricity Projects	3,395,806	13,954,796
FMG : Interns Allowances	-	-
Forensic Services	-	1,799,921
Free Basic Services Water	-	122,927
Fuel Municipal Vehicles	2,250,751	2,435,142
Insurance	516,296	370,487
Infrastructure Development Plan L/Kgomo	-	-
Legal Fees	2,687,620	4,348,358
Membership Fees	727,693	36,592
IDP Review Processes	752,406	488,949
Ward Committee Support	-	-
Office Refreshments	20,340	15,069
Postage	527,694	236,997
Printing and Stationery	1,331,567	491,800
Protective Clothing	(269,446)	686,810
Rental of Office Equipment	288,658	162,173
Stores & Materials	249,884	353,062
Subsistence & Travelling	1,031,653	694,714
Telephone : Landlines & Fax	921,503	975,017
Telephone : Cellphones	-	-
Ward Committees	3,834,286	3,733,268
PMU Expenses	-	-
Council Conferences & Congresses	64,057	69,267
Council Functions	109,660	214,050
Council: Refreshments: Mayors Office	5,372	6,092
Council: Refreshments: Speakers Office	3,985	3,792
Council: Travel & Subsistence	1,062,527	910,749
Whippery Office: Refreshments	-	7,301
Cleaning Materials	138,638	123,800
Licensing: Municipal Fleet	142,147	93,970
Valuation Roll	-	-
Refuse Removal Mathibela	-	-
Electricity Accounts	1,662,389	2,812,793
Water Provision: Mathibela	-	-
IT Support Services	57,371	987
Skills Development Levy	-	382,662
Council Skills Development Levy	147,257	
Skills Development Levy	477,758	
Environmental rehabilitation	-	10,528,109
Electronic Traffic Fines Management	745,614	
Other	4,779,560	10,598,787
	<u>38,769,289</u>	<u>65,616,345</u>

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 2015

	2015 R	2014 R
29 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	113,400,686	103,644,917
Adjustment for: -		
Depreciation and amortisation	27,262,896	32,325,080
Bad Debt Provision	12,440,837	(7,787,020)
Donations Received - PPE	(284,418)	(48,289,249)
Salaries and wages -None cash items		
General Expenses -Provision for Landfill Rehabilitation		
Contribution to provisions - non current	2,703,581	937,510
Contribution to provisions - current	553,755	567,807
Finance costs	18,954	54,034
Impairment loss / (reversal of impairment loss)		-
Interest earned	(50,732,648)	(6,493,851)
Profit on Sale of Assets	756,802	(433,834)
Other non -cash item		
Operating surplus before working capital changes:	106,120,446	74,525,394
(Increase)/decrease in inventories	(666,940)	(563,842)
(Increase)/decrease in trade receivables	(6,694,598)	1,486,595
(Increase)/decrease in other receivables	(3,418,790)	(34,485,700)
(Increase)/decrease in VAT receivable	9,474,853	4,508,844
Increase/(decrease) in conditional grants and receipts	40,172,129	8,020,381
Increase/(decrease) in trade payables	992,058	(11,616,740)
Increase/(decrease) in consumer deposits	50,800	1,226,610
Decrease in short term obligations	(202,199)	(239,474)
Decrease in short long obligations	(72,347)	
(Increase)/decrease in Provisions	553,755	-
Cash generated by/(utilised in) operations	125,800,655	42,862,069
30 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	193,807,016	108,805,865
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	193,807,016	108,805,865
31 CORRECTION OF ERROR		
REVENUE		
Licences and permits:Department of Transport		(1,826)
Prodira,80:20 Ratio, RTMC and SABS adjustment - pre 2014		(26,907)
Traffic Revenue 2014		25,081
Other income		
Reversal of journal passed against revenue bank account and Accumulated surplus - pre 2014		(957,056)
TOTAL REVENUE		(958,883)
EXPENDITURE		
EMPLOYEE RELATED COST		39,354
Acting allowance,housing,pension and leave misallocated 2014		42,984
FMG:Interns Allowance misallocated - pre 2014		(3,630)
GENERAL EXPENSES		
- Unpaid deliveries paid as sundry and were double captured under expenditure votes		(630,862)
Free basic water - pre 2014		(28,210)
Environmental Management Plan - pre 2014		(5,781)
Printing & Stationery - pre 2014		(68,722)
Electricity Accounts - pre 2014		(8,050)
Stores & Materials - pre 2014		(62,438)
Conference & Congresses - pre 2014		(4,525)
Public Transport - pre 2014		(17,340)
Office Refreshments - pre 2014		(1,324)
Accommodation & Meals - pre 2014		(59,965)
Special Programmes:Disaster - pre 2014		(12,025)
Advertisement - pre 2014		(22,363)
Training - pre 2014		(9,221)
Traffic Expense -misallocation - pre 2014		(3,736)
Enforcement of By Laws - pre 2014		(129)
Council Functions - pre 2014		(6,750)
SMME Support - pre 2014		(1,257)
Community participation		(5,000)
Accommodation & Meals - 2014		(23,834)
Internal Sporting Activities - 2014		(25,491)
Youth Programme: Campaigns - 2014		(41,400)
PMS Coordination - 2014		(12,533)
Audit Committee Expenses - 2014		(16,042)
Consultant Fees & Research - 2014		(118,421)
IDP Review Process - 2014		(18,331)
Disaster Provision - 2014		(8,514)
Repairs and Maintenance		(49,461)
Bad Debts		(2,672,894)
- Reversal of Sundry Debtors previously written as Bad Debts		(2,664,326)
- Bad debts written off - pre 2014		(8,568)
Water Provisioning		
- CDM incorrectly raised as a sundry debtor for water related expenditure		3,124,092

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 2015

	2015 R	2014 R
Communications		
- Expenditure captured twice as sundry debtors and bank error	-	18,500
Community Participation		
-	-	(10,000)
Repairs and maintenance		
- CDM incorrectly raised as a creditor for water related expenditure		(539,097)
Printing and stationery		
2013/14 expenditure not raised as accrual		36,834
Professional Fees		
2013/14 expenditure not raised as accrual		(36,895)
Debt Determination & Baseline Project -misallocation - pre 2014		2,572
Electricity Projects		
Retention captured twice		209,322
Subsistence		
2013/2014 Subsistence claims raised as accrual not paid		(6,972)
TOTAL EXPENDITURE		<u>(486,045)</u>
INVENTORY		
Inventory written off		226,027
PROPERTY PLANT AND EQUIPMENT		<u>45,690,991</u>
Prior year adjustments - see appendix A - pre 2014		<u>45,690,991</u>
Net effect on Statement of Financial Position		<u>44,492,091</u>
Net effect on Accumulated surplus opening balance		<u>44,492,091</u>
32 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003		
32.1 Contribution to SALGA		
Council membership fees payable	727,693	-
Amount paid current year	(727,693)	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
32.2 Audit Fees		
Opening balance	(0)	(0)
Current year audit fee	2,375,153	1,646,346
Amount paid current year	(2,375,153)	(1,646,346)
Balance unpaid (included in creditors)	<u>(0)</u>	<u>(0)</u>
32.3 VAT		
VAT is payable on the cash basis. VAT input receivables and VAT output receivable are shown in note 6.		
32.4 PAYE & UIF		
Current payroll deductions	8,108,702	9,617,571
Amount paid current year	(8,108,702)	(9,617,571)
Balance unpaid	<u>-</u>	<u>-</u>
32.5 Pension and Medical Aid Deductions		
Current payroll deductions	14,102,949	13,905,779
Amount paid current year	(14,102,949)	(13,905,779)
Balance unpaid	<u>-</u>	<u>-</u>
33 COMMITMENTS		
33.1 Commitments in respect of capital and current expenditure		
- approved and contracted for		
Current	7,684,144	6,780,111
Capital	<u>45,102,114</u>	<u>70,607,660</u>
- approved and not contracted for	<u>52,786,258</u>	<u>77,387,771</u>
Current	-	-
Capital	-	-

**LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 2015**

	2015 R	2014 R
The expenditure will be financed from:		
- Government Grants	22,947,179	
- Internal sources	29,839,079	
	<u>52,786,258</u>	<u>-</u>
34 DEVIATIONS FROM SUPPLY CHAIN		
Refer to Appendix C for details relating to deviation from supply chain processes.		
35 CONTINGENT LIABILITIES		
35.1 Claim for damages	3,833,427	5,224,885
The contingent liability amount represent the estimated claims against the municipality. See Appendix D for more detail.		
35.2 Wage curve		
Year 1		71,462
Year 2		522,016
Year 3		193,354
	<u>-</u>	<u>786,832</u>
TOTAL	<u>3,833,427</u>	<u>6,011,717</u>
36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
36.1 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	3,089,619	3,015,741
Fruitless and wasteful expenditure current year	1,040,630	73,878
Condoned or written off by Council	<u>-</u>	<u>-</u>
Unauthorised expenditure awaiting condonement	<u>4,130,249</u>	<u>3,089,619</u>
The unauthorised expenditure relates to spending above the approved budget.		
36.2 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	95,762,200	72,104,730
Irregular expenditure current year	10,595,448	23,657,470
Condoned or written off by Council		
Reversal of expenditure condoned by council		
Irregular expenditure awaiting condonement by National Treasury	<u>106,357,648</u>	<u>95,762,200</u>
36.3 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	15,174,085	13,916,876
Unauthorised expenditure current year	5,267,088	1,257,209
Condoned or written off by Council		
Reversal of expenditure condoned by council		
Unauthorised expenditure awaiting condonement by National Treasury	<u>20,441,173</u>	<u>15,174,085</u>
37 RELATED PARTY DISCLOSURES		
37.1		
During the year, in the ordinary course of business, transactions between the Municipality and the under -mentioned parties have occurred under terms and condition no more favourable than those entered into with third parties in an arm's length transaction.		
Management Team		
No business transaction took place between Lepelle -Nkumpi Municipality and key Management personnel(Municipal Manager and Directors) and their close family members during the year under review. Details relating to their remuneration is disclosed in note 23.		
Details of loans and advances		
The MFMA prohibits the granting of loans and advances to officials.		

**LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 2015**

		2015 R	2014 R
38	EXPLANATION OF MATERIAL DIFFERENCES BETWEEN FINAL BUDGET AND ACTUALS FOR THE YEAR ENDED 30 JUNE 2015		
38.1	Finance Income		
	Interest on Arrear Account is more that the budgeted amount and it is due to persistent non payment by the community of Lebowa kgomo		
38.2	Licences and permits: Department of Transport		
	The District Department of Transport has purchased new fleet that led to an increase in revenue from Licensing and registration		
38.3	Government grants and subsidies received - capital		
	The difference is due to additional R 20 million MIG received in the 3rd quarter of the financial year of which automatic roll over was granted		
38.4	Other revenue		
	Actual Expenditure includes Donation received of a non cash nature amounting to R 284 419.99 and Insurance refunds R 233 811.40 which is more than the R 57 247 budget for.		
38.5	Traffic Fines		
38.6	Bad debts		
	Budget on Provision for Bad debts included Provision from traffic fines. Traffic fines were not impaired due to the procurement of electronic traffic fines system that will assist in tracing the defaulters and ensuring that the amount due is paid.		
38.7	Depreciation and amortisation expense		
	There are some Infrastructure assets that were taken off the Fixed Assets Register e.g Gravel roads previously classified as Infrastructure assets and Roads belonging to the District were classified as municipally roads. The removals of those assets from the Fixed asset register led to a decrease in Depreciation		
38.8	Free Basic Services: Electricity		
	Expenditure on Free Basic Electricity is dependent on the collection of free 50kw electricity by registered indigent		
38.9	Finance cost		
38.10	Repairs and maintenance		
	Included in the Budget for repairs and maintenance is regraveling of roads and electricity maintenance and the service providers to render those services were appointed towards the end of the financial year and that affected expenditure on repairs and maintenance		
38.11	General expenses		
	Included in the General expenditure is expenditure reticulation of electricity which was budgeted as capital expenditure		
38.12	Contracted services		
	Included in the contracted services actual expenditure is R 3 511 030.38 which was not budgeted for, which was paid after a legal dispute between the municipality and the previously appointed security company.		
39	EVENTS AFTER THE REPORTING DATE		
	At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.		